

## Lebanon

**The Development Challenge:** This year witnessed significant events taking place in the region that have had a tremendous impact on Lebanon. The Iraqi war and increased violence in West Bank/Gaza as well as worldwide terrorist actions have created an atmosphere of tension. The Iraqi market was an important market for Lebanese industrialists. Losing this avenue has added to the economic stagnation felt here. Internally, the security situation near the southern borders with Israel remained guardedly quiet, with only scattered clashes and disruptions. Politically, tensions continue to mount in the run up to the 2004 presidential elections. The divisiveness that is inherent in Lebanon's confessional system of government contributes to neighboring Syria's continued ability to intervene in the political affairs of the country. As a result, the economic situation in Lebanon continues to be unfavorable, leading to widening disparities between the rich and the poor, increased rates of unemployment (around 20%), and weak marketing of industrial and agricultural products. The country's external debt has reached \$32.6 billion and has forced the government to dedicate approximately 70% of its public revenues to service the public debt instead of financing public services. The environment in Lebanon is in a deteriorating state due to years of neglect. Perspectives on environmental protection and preservation have not progressed. This has resulted in polluted air, soil, rivers, and beaches, open dumping, and lack of control on industrial emissions. This is coupled with a lack of government investment in remedies. As a response to the challenges facing the country, the USAID program is helping the people of Lebanon improve their standard of living, protect their environment and health, and address their legal rights as citizens. It is also promoting humanitarian assistance.

USAID's key strengths are its flexibility and technical know how. Over the years, USAID has built a reputation as one of the most active donors in Lebanon and is viewed by many as having one of the more responsive and targeted programs, though far from the largest. The Mission attributes this to following:

- Promotion of equitable and sustainable development in Lebanon over the long-term;
- Programs that are demand driven and focus on the average citizen;
- Highly skilled and experienced group of partners (NGOs, foundations, universities, and business associations) capable of operating effectively at high government levels as well as at the community level; and
- Procedures that demonstrate efficiency by channeling funding directly to implementing partners in contrast with other donors.

USAID is contributing to the USG policy priorities of promoting democratic principles and free economies through investing in people. The program is increasing the capacity of the Lebanese people by strengthening their local institutions, providing them with economic opportunities, and improving their environment.

**The USAID Program:** The USAID/Lebanon programs address the economic, political and environmental challenges the country is facing. They concentrate on improving living standards by revitalizing and expanding economic opportunities for small entrepreneurs and disadvantaged, mine-affected people, encouraging trade and investment with WTO accession, strengthening American educational institutions, and building the capacities of indigenous groups. Also they aim to improve environmental policies and practices by developing appropriate waste management practices, creating environmental awareness, and promoting water sector restructuring and efficient water management. Finally, USAID continues to encourage good governance and transparent practices by strengthening municipalities all over Lebanon and providing assistance to civil society groups' advocacy programs. As a cross-cutting theme, USAID will continue to increase awareness of landmine-affected areas and prevention practices.

In the coming year, the Middle East Partnership Initiative (MEPI), managed by the Department of State, is proposing to conduct a review of the entire USAID program to ensure that the planned programs in the area of economic, political and education reform are aligned with the policy objectives of MEPI. To date MEPI has included Lebanon in regional MEPI programs but does not have any specific bilateral programs in the country.

**Other Program Elements:** Lebanon has been included in regional MEPI programs. It also benefits from the Leahy War Victims Fund for a number of mine action activities, chief of which is a "resource cooperative" aimed at creating economic opportunities for mine-injured survivors and their families in the southern district of Jizzine, Lebanon's most heavily-mined and casualty afflicted area.

**Other Donors:** Donor coordination in Lebanon is active, with bi-monthly meetings devoted to addressing common issues and providing an opportunity for each donor to present its program. The most recent UNDP reports list Arab countries as the main source of Lebanon's external funding, led by the Kuwait Fund for Arab Economic Development (transport infrastructure); the Arab Fund for Economic and Social Development (human resource development, energy); the United Arab Emirates (demining); Saudi Arabia (infrastructure, social services); and the Islamic Development Bank (infrastructure). Also active are the World Bank (broad-based development); the EU (training and capacity building, administrative development, rural development, trade); France (technical cooperation, water and waste water, training); UN organizations (broad-based development); Italy (agriculture, infrastructure, water and waste water), Canada (development administration, economic management), and Norway (technical cooperation, social services, mine awareness). Most of the funding comes in the form of loans or soft loans that are channeled to the Council of Development and Reconstruction and approved by the Council of Ministers in contrast to the USAID assistance, which is totally channeled to the NGO community and the private sector in the form of grants. USAID assistance, ranking approximately 10th in resources, is among the top three donors in aggregate spending. USAID's main donor partners are the World Bank, the EU, Italy and UNDP for rural development, agriculture and environment; the EU, Italy and UNDP for administrative reform and municipal development; the EU for trade (Euro-Med and WTO agreements); and the French Development Agency for water resources management.

## Lebanon PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Development Assistance	600	0	400	0
Economic Support Fund	35,000	34,772	34,794	32,000
<b>Total Program Funds</b>	<b>35,600</b>	<b>34,772</b>	<b>35,194</b>	<b>32,000</b>

STRATEGIC OBJECTIVE SUMMARY				
268-001 Economic Development				
DA	0	0	400	0
ESF	23,000	26,272	18,794	20,000
268-002 Promoting Democracy and Good Governance				
ESF	7,000	5,000	4,000	7,000
268-005 Improved Environmental Policies and Practices				
DA	600	0	0	0
ESF	5,000	3,500	12,000	5,000

Mission Director,  
Raouf Youssef

## Data Sheet

<b>USAID Mission:</b>	Lebanon
<b>Program Title:</b>	Economic Development
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	268-001
<b>Proposed FY 2004 Obligation:</b>	\$400,000 DA; \$18,794,000 ESF
<b>Prior Year Unobligated:</b>	\$1,372,000 ESF
<b>Proposed FY 2005 Obligation:</b>	\$20,000,000 ESF
<b>Year of Initial Obligation:</b>	FY 2002
<b>Year of Final Obligation:</b>	FY 2005

**Summary:** This program focuses on revitalizing Lebanon's economy and society which suffer from social disruption, and economic stagnation caused by a complex, dynamic and divisive web of political, confessional, cultural and regional interests. The program aims to rebuild the lives of rural Lebanese by targeting three key growth-oriented sectors that comprise 35% of Lebanon's GDP, namely agro-industry, information and communication technology (ICT) and tourism. The goal is to create jobs, increase full time employment, increase agricultural exports, improve the incomes and productivity of small business entrepreneurs and farmers, and increase the number of tourists and internet users. USAID is also helping Lebanon accede to the World Trade Organization (WTO) in order to encourage greater trade and investment and broad-based reform. USAID's program is helping landmine survivors have access to job opportunities as well as strengthening the American educational institutions by supporting their scholarship programs. Finally, it is providing humanitarian and economic assistance to indigenous groups by providing them with small grants to upgrade their administrative capacities and capabilities to continue serving the deprived and the needy in Lebanon.

### Inputs, Outputs, Activities:

#### FY 2004 Program:

USAID/Lebanon plans to carry out the following activities:

-- Production and Marketing in Agriculture and Agri-business (\$9,000,000 ESF). Activities will focus on introducing new techniques in forage plantations (harvesting and packaging); supporting the flower industry (constructing a cooling facility), banana production (procuring packing unit for marketing), dairy industry (providing laboratory equipment), organic production (training and technical assistance to farmers), the cottage industries (rehabilitating women's food processing cooperative centers), the olive oil industry (marketing); and introducing the new herbs and spices industry. The prime implementing partners are the Cooperative Housing Foundation (CHF), Young Men's Christian Association (YMCA), World Vision, SRI International and Mercy Corps International (MCI). In addition, sub-contractors and sub-grantees include the Rene Moawad Foundation (RMF), the Hariri Foundation, Association d'Aide au Development Rural (ADR), the Lebanese Agriculture Research Institute (LARI), and the School of Agriculture at the American University of Beirut (AUB).

-- Tourism (\$3,000,000 ESF). USAID will fund construction and rehabilitation of tourist attractions in South Lebanon, including an agro-tourism park, a recreational center, World War II Interactive Museum, Dardara Lake tourist attraction, trekking on Mount Hermon, and an historic market. USAID funds will continue to be used to produce promotional materials, further develop an established tourism website, and produce road signs and markers, and other promotional activities to attract tourists. The target is to increase the number of tourists from 700,000 in FY 2003 to 900,000 in FY 2004. The implementing partners are CHF, YMCA, World Vision, SRI International and MCI.

-- ICT (\$2,000,000 ESF). These funds will be used to establish an additional nine Professional Computer Association Points of Presence centers and to promote local ICT industry exports to achieve 10% growth in the sector. The implementing partners are CHF, YMCA, World Vision, SRI International and MCI.

- Scholarships for American Educational Institutions (\$4,000,000 ESF). The scholarships will go to five institutions: the American University of Beirut (AUB), the Lebanese American University (LAU), the International College (IC), and the American Community School (ACS). Prior Year Funds will be distributed to AUB, LAU IC and ACS only.
- Indigenous NGOs (\$794,000 ESF, \$272,000 Prior Year Unobligated ESF). These funds will be used to support indigenous NGOs' humanitarian and income generating activities.
- Mine Action Program (\$400,000 DA). These funds will be used for ongoing activities, including mine awareness, landmines victims' impact survey, and victims' assistance. This program has become a model for demonstrating an effective and viable approach to addressing the needs of landmines survivors and disadvantaged people.

Other Activities (\$1,100,000 ESF Prior Year Unobligated). Section 1224 of the Foreign Relations Authorization Act of FY 2003 restricts the use of \$10 million in FY 2003 ESF for Lebanon. Should the FY 2003 funds become available before the end of FY 2004, their effective date of expiration, a portion of these funds (\$1.1 million) would be allocated to the American Education Institutions (AEI's) in Lebanon, consistent with the spirit of the language on AEIs in Lebanon contained in the Conference Report on Foreign Operations, Export Financing, and Related Programs Appropriations Act Fiscal Year 2003.

#### **FY 2005 Program:**

- Production and Marketing in Agriculture and Agri-business (\$11,00,000 ESF). USAID plans to continue support to the agro-business sector.
- Tourism (\$2,500,000 ESF). USAID will continue to fund tourism activities to boost visitors and economic growth.
- ICT (\$1,500,000 ESF). USAID will continue support for this important sector of the economy.
- Scholarships for American Educational Institutions (\$4,000,000 ESF). USAID plans to continue its support of the American educational institutions.
- Indigenous NGOs (\$500,000 ESF). These funds will be used to continue assisting local humanitarian organizations.
- Mine Action Program (\$500,000 ESF). Even though the Mine Action Program agreement ends in FY 2004, USAID plans to continue supporting mine action in Lebanon, as the USAID-funded mine action program is the only continuous, stable and efficient program currently in existence. The activity will continue its focus on prevention from landmine injury and support to landmine victims; however, no concrete program activities have been developed as yet.

**Performance and Results:** The initiation of the activities under the agribusiness, tourism and ICT sectors during FY 2003 has created a positive impact on the economy. Target beneficiaries have included farmers, restaurant owners, hotels, food and dairy processors as well as information technology companies, both locally and internationally. Linkages were established between farmers and processors, thus providing better open market opportunities for all. European governments and private U.S. foundations (e.g. Microsoft and Cisco Systems) have been keen on partnering with USAID and its partner NGOs, to such an extent that they have injected funds in support of USAID activities in order to expand the program to new geographical areas throughout Lebanon.

The victims' assistance activity under the Mine Action Program succeeded in initiating, sustaining, and expanding income generating programs and activities targeting more than 625 primary beneficiaries, cooperative members and their dependents. By the end of 2004, it is expected that landmine victims will each be generating additional income worth \$210 from the different trade and income generating activities they are involved in. The mine awareness program and data gathering campaign have resulted in a decrease in the frequency of landmine injuries from 90 in 2001 to 27 in 2003.

## US Financing in Thousands of Dollars

Lebanon

	DA	ESF
268-001 Economic Development		
<b>Through September 30, 2002</b>		
Obligations	800	59,897
Expenditures	500	55,426
Unliquidated	300	4,471
<b>Fiscal Year 2003</b>		
Obligations	50	39,000
Expenditures	50	14,704
<b>Through September 30, 2003</b>		
Obligations	850	98,897
Expenditures	550	70,130
Unliquidated	300	28,767
<b>Prior Year Unobligated Funds</b>		
Obligations	0	1,372
<b>Planned Fiscal Year 2004 NOA</b>		
Obligations	400	18,794
<b>Total Planned Fiscal Year 2004</b>		
Obligations	400	20,166
<b>Proposed Fiscal Year 2005 NOA</b>		
Obligations	0	20,000
Future Obligations	0	30,000
Est. Total Cost	1,250	169,063

## Data Sheet

<b>USAID Mission:</b>	Lebanon
<b>Program Title:</b>	Promoting Democracy and Good Governance
<b>Pillar:</b>	Democracy, Conflict and Humanitarian Assistance
<b>Strategic Objective:</b>	268-002
<b>Proposed FY 2004 Obligation:</b>	\$4,000,000 ESF
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2005 Obligation:</b>	\$7,000,000 ESF
<b>Year of Initial Obligation:</b>	FY 1998
<b>Year of Final Obligation:</b>	FY 2005

**Summary:** Strengthening foundations for good governance is a program that empowers and strengthens the Lebanese local government (municipalities), the parliament, the oversight agencies, and civil society. It improves the delivery of local governmental services to citizens and municipalities, thereby enhancing the democratic nature of Lebanon's overall political system. The assistance focuses on improving administrative and financial capabilities, expanding social services, encouraging public participation, and increasing accountability, transparency, and effectiveness.

### Inputs, Outputs, Activities:

#### FY 2004 Program:

Transparent and Accountable Government Institutions (\$3,000,000 ESF). The cumulative \$17 million in investments since 2001 have built on the achievements gained from previous activities by targeting all 750 municipalities in Lebanon as well as parliament and the three oversight agencies: the Court of Audit, the Civil Service Board, and the Central Inspection Board. The program is carried out with the Ministry of Interior and Municipal Affairs. Its goal is to bring "excellence in government" to all of Lebanon's municipalities, as opposed to the initial assistance targeting rural small-sized municipalities and one urban medium-sized municipality. This dynamic partnership has yielded powerful innovations that highlight good governance, progressive administrative reform, responsive e-government, genuine citizen participation, and a new awareness of what municipalities are all about.

Funds will provide technical assistance to the remaining 175 municipalities in Lebanon. This assistance will focus on strengthening municipal administrative and financial capacity, curbing the spread of corruption, and enhancing citizen participation in decision-making processes. Thus, the assistance will eventually result in the elimination of tax evasion and thorough implementation of administrative responsibilities to bring previously un-enforced tax laws to light and add millions of dollars in recovered revenue. Assistance to the parliament and oversight agencies should continue to yield updated decentralization laws and enhanced cooperation between the various governmental institutions, thereby, encouraging democratic policies and practices. The implementing partner is the State University of New York Center for Legislative Development (SUNY-CLD).

Transparency and Accountability Grants (TAG) (\$900,000 ESF). This activity strengthens anti-corruption efforts in sectors all over the country. Grants up to \$25,000 are awarded for projects that plan short-term, impact-oriented activities that increase transparency, accountability and good governance. TAG results show that local Lebanese civic organizations and leaders are willing to work hard and creatively to address corruption throughout Lebanese society and in diverse sectors. In FY 2003, \$300,000 in Middle East Partnership Initiative (MEPI) funds were added to the project to support an additional \$200,000 in local grants in Lebanon as well as \$100,000 in initial programming in the Middle East and North Africa region. The implementing partner is America-Mideast Education and Training Services (AMIDEAST).

Professional Training Program (PTP) (\$100,000 ESF). The PTP complements USAID's three strategic objectives in Lebanon and is a useful and targeted vehicle to deliver appropriate professional training to relevant public and private sector participants.

**FY 2005 Program:**

Transparent and Accountable Government Institutions (\$6,000,000 ESF). The current agreement to strengthen municipal administrative and financial capacities, curb the spread of corruption, and enhance citizen participation in decision-making processes, expires in May 2004. However, USAID will continue to play a role in reducing the rampant corruption that reached a zenith during the postwar construction phase. Future projects in 2005, might focus on directing the investment of municipal revenues into cultural/social/economic activities, qualifying municipal federations to implement fiscal and administrative planning, implementing e-government, training new municipal council members to meet their responsibilities as assigned by the new municipal law when passed, and twining cities with the U.S. to exchange expertise. Implementing partner: TBD.

Transparency and Accountability Grants (TAG) (\$900,000 ESF). TAG has helped to create an informal network of civic organizations willing and able to address transparency and accountability within their own spheres of influence and experience. It is important to build upon this resource, which provides a wealth of experience and facilitates development of a longer-term strategy and more efficient implementation. The implementing partner is AMIDEAST.

Professional Training Program (\$100,000 ESF). These funds will enable the Mission to achieve its human resource development and training objectives for public and private sector officials in Lebanon.

**Performance and Results:** Results from these programs over the past year were significant. The technical assistance provided municipalities with simplified municipal administrative procedures, standardized municipal budget revenue and expenditures. It also utilized information technology, allowing municipalities to provide services to their citizens in a transparent, efficient, and accountable manner. As a result of the assistance, municipal revenues have increased dramatically, furnishing local government with much-needed funds to provide services and infrastructure to the community. For example, collections of rental value taxes in Beirut Municipality increased from \$21.6 million in 2001 to \$29.0 million in 2003 and in Zahle from \$2.2 million in 2001 to \$3.4 million in 2003, marking an increase of 60% in assessed revenues. A major milestone for implementing local fiscal policy, the Ministry of Interior and Municipalities issued two orders mandating all municipalities to use the standardized procedures and processes developed by SUNY/CLD. To date, approximately 70% of the more than 575 assisted municipalities are generating non-modifiable electronic taxpayer lists, and at least 50% of expected revenue is being collected.

USAID's TAG activity was the first of its kind in Lebanon. The program's unique focus and ability to mobilize civil society organizations (CSOs) to launch activities that enhance transparency and accountability in Lebanon was innovative. Highlights of the project's outputs include the development of a board game called "Corruption;" an art contest for youth on "Transparency and Accountability;" development of a training manual on legal and auditing requirements for NGOs; raising awareness about women's rights; the creation of an electronic magazine; an integrated information system for citizen use at the Ministry of the Environment; improving the process for export certificates of origin; creation of manuals on student rights and responsibilities and distribution to 70 schools in south Lebanon covering 33,000 students; and a web site and conference examining current government privatization efforts. All of these projects have helped to enhance democratic practices and citizen rights and responsibilities.

The PTP program has been a useful and targeted vehicle to deliver training to participants from all sectors of Lebanese society. In FY 2003, 62 trainees attended eight training programs in the United States, Lebanon and Dubai. It is clear that a demand for training still exists, and the PTP program will continue to be an important tool in achieving USAID Mission objectives in the training sector.

## US Financing in Thousands of Dollars

Lebanon

268-002 Promoting Democracy and Good Governance	<b>ESF</b>
<b>Through September 30, 2002</b>	
Obligations	8,665
Expenditures	7,832
Unliquidated	833
<b>Fiscal Year 2003</b>	
Obligations	12,300
Expenditures	5,323
<b>Through September 30, 2003</b>	
Obligations	20,965
Expenditures	13,155
Unliquidated	7,810
<b>Prior Year Unobligated Funds</b>	
Obligations	0
<b>Planned Fiscal Year 2004 NOA</b>	
Obligations	4,000
<b>Total Planned Fiscal Year 2004</b>	
Obligations	4,000
<b>Proposed Fiscal Year 2005 NOA</b>	
Obligations	7,000
Future Obligations	10,000
Est. Total Cost	41,965

## Data Sheet

<b>USAID Mission:</b>	Lebanon
<b>Program Title:</b>	Improved Environmental Policies and Practices
<b>Pillar:</b>	Global Health
<b>Strategic Objective:</b>	268-005
<b>Proposed FY 2004 Obligation:</b>	\$12,000,000 ESF
<b>Prior Year Unobligated:</b>	\$9,050,000 ESF
<b>Proposed FY 2005 Obligation:</b>	\$5,000,000 ESF
<b>Year of Initial Obligation:</b>	FY 2003
<b>Year of Final Obligation:</b>	FY 2005

**Summary:** This program aims to change the behavior and thinking of the Lebanese towards the environment by advocating policy reform and demonstrating environmentally sound and appropriate solutions to environmental problems at national and local levels. Activities will capitalize on the initial success of and heightened demand for environmental conservation and health activities and will build upon the nascent water policy program involving activities in collaborative water management and water pricing policies. Focusing on these areas, USAID is filling critical gaps that neither the Government of Lebanon (GOL) nor other donors are addressing. Specifically, this program is helping rural communities create healthier, environmentally friendly living conditions, and aiding the private sector and the GOL in assessing and managing water resources more efficiently.

### Inputs, Outputs, Activities:

#### FY 2004 Program:

Waste Management Program (\$3,500,000 ESF in south Lebanon, \$2,000,000 ESF Nationally). These funds will be used to continue and expand the waste management program that adopts appropriate and affordable waste disposal technologies in 188 communities. In many rural municipalities, these activities have emerged as the most viable alternative to large-scale and costly infrastructure schemes. USAID activities continue to provide cost effective, environmentally sound and appropriate solutions to solid waste and wastewater disposal problems facing rural communities. Technologies adopted rely on solid waste composting and recycling or aerobic and/or anaerobic treatment of wastewater and olive waste. Construction of waste management facilities will be accompanied with activities to strengthen the management capabilities of the beneficiary municipalities and raise general awareness on sorting of waste at the source. This would improve quality of the end product and ensure the commitment of the community and municipalities towards the sustainable operation of the facilities. As the program started late in FY 2003, the first year results will begin to materialize in FY 2004. Consequently, results of FY 2004 funds will materialize in FY 2005 when 16 municipalities will have treatment facilities that are operating effectively and preventing the pollution of more than 800 hectares of cultivable land. Four U.S. NGOs implement this activity: Young Men's Christian Association, Cooperative Housing Foundation, Mercy Corps International, and the Catholic Near East Welfare Association/Pontifical Mission.

Water Projects Program (\$5,000,000 ESF in south Lebanon). In the short term, activities will include wastewater treatment facilities. USAID also plans to support activities that will target the reduction of waste disposal in the Litani River. Additional activities will be proposed once the Water Quality Assessment of the Upper Litani River and Lake Qaraoun is completed.

Water Policy Program (\$1,500,000 ESF). This program will continue to build a knowledge base and promote a common vision for policy makers on private sector participation (PSP) in the water sector and in strengthening the South Lebanon Water Establishment. Planned activities include three study tours; two seminars; and 200 professional meetings and consultations on PSP issues. The program will also develop training materials and workshops on collaborative planning in water management and negotiation skills among stakeholders. It is estimated that around 50 people (40 males and 10 females) will be

trained. In addition, the program will examine national water pricing policies using the tools that were developed for the South Lebanon Water Establishment (SLWE), and will continue working on developing a national tariff strategy. At the regional level, the program will conduct data validation of the South Lebanon hydraulic analysis conducted in FY 2003. This will help the SLWE identify investment requirements and develop an action plan for improving the water systems. Also the business plan and the organizational chart developed for the SLWE in FY 2003 will be refined to help determine the pricing policies of water services by evaluating different tariff options and assessing and proposing scenarios for restructuring tariffs. The pilot activities conducted for the SLWE have started drawing the interest of other water establishments. In FY 2004, the program will be able to provide options for public/private participation in the SLWE and develop a water services pricing model for the South. The implementing partner is Development Alternatives, Inc.

Tariff Pricing Contract (\$150,000 ESF Prior Year Unobligated). DAI will develop a tariff pricing structure for the Water Authority for the city of Saida located in southern Lebanon.

Other Activities (\$8,900,000 ESF Prior Year Unobligated). Section 1224 of the Foreign Relations Authorization Act of FY2003 restricts the use of \$10 million in FY 2003 ESF for Lebanon. Should the FY 2003 funds become available before the end of FY 2004, their effective date of expiration, \$8.9 million of these funds would be allocated for water projects in southern Lebanon.

#### **FY 2005 Program:**

Waste management program (\$5,000,000 ESF). Around 34 facilities are targeted to be completed and operating by the end of FY 2005, leading to a 56% improvement in citizens' behavior and understanding of the environment. Also more than 16,000 cubic meters of water will be treated, thereby preventing the further pollution of more than 1,700 hectares of previously polluted land. It is estimated that by the end of 2005 or early 2006, municipalities will be able to generate an income of around \$34,000 per year from reuse sales of solid waste facilities.

The contract ends in September 2004. The program's performance in FY 2004 will directly impact the future direction of the Lebanon Water Policy Program. However, USAID plans to continue working in the sector of water resources management.

**Performance and Results:** The waste management program is still in its preparation stage, whereby environmental impact assessments and community mobilization and community awareness activities are underway. This program is filling a gap that neither the private sector nor the government is filling. In addition to the geographic areas selected, USAID is still receiving huge demands for treatment facilities in other areas. It is expected that by the end of this program, 37 facilities will be operating, benefiting 188 villages and creating training-linked jobs for 109 people. In addition, an increase of 69% in people's understanding and behavior towards their environment is expected. It is estimated that by the end of 2004, 16 facilities will be completed and ready for operation.

During its first year of operations, the Water Policy Program made significant changes at the national and regional levels. Nationally, the issue of water sector privatization was still largely unknown until the program was launched, drawing the interest of major stakeholders and decision makers on the subject of water tariff strategy and private sector participation in the water sector. Regionally, the South Lebanon Water Establishment (using USAID assistance) has developed into the only water management entity in Lebanon with a clear vision and strategy and is in a position to identify the requirements needed for running an efficient operation. After the first two years, the water policy program anticipates that Lebanon will have developed a consensus on the direction of water sector reform and public private participation. Consensus also should be reached on the general tariff strategy encouraging equitable and efficient use of water enabling broader participation by private operators. The South Lebanon Water Establishment will have adopted the business plan and gotten official approval for the new organizational chart that will enable it to operate more efficiently. It is expected that by the end of FY 2005, the level of unaccounted for water will decrease from 56% to 44%.

## US Financing in Thousands of Dollars

Lebanon

268-005 Improved Environmental Policies and Practices	DA	ESF
<b>Through September 30, 2002</b>		
Obligations	2,703	10,154
Expenditures	1,173	8,121
Unliquidated	1,530	2,033
<b>Fiscal Year 2003</b>		
Obligations	0	8,350
Expenditures	702	2,451
<b>Through September 30, 2003</b>		
Obligations	2,703	18,504
Expenditures	1,875	10,572
Unliquidated	828	7,932
<b>Prior Year Unobligated Funds</b>		
Obligations	0	9,050
<b>Planned Fiscal Year 2004 NOA</b>		
Obligations	0	12,000
<b>Total Planned Fiscal Year 2004</b>		
Obligations	0	21,050
<b>Proposed Fiscal Year 2005 NOA</b>		
Obligations	0	5,000
Future Obligations	0	10,000
Est. Total Cost	2,703	54,554